

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1240 (First Edition)

SHORT TITLE: Sales Tax Exemption for Baked Goods.

SPONSOR(S): Senator Kerr

FISCAL IMPACT

	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
General Fund					
Local governments					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: October 1, 2007					

BILL SUMMARY: Senate Bill 1240 creates a State and local sales tax exemption for bread, rolls, and buns sold at a bakery thrift store. The bill defines a bakery thrift store as a retail outlet of a bakery that sells at wholesale over 90% of the items it makes and sells at the retail outlet day-old bread, rolls, and buns returned to it by retailers that acquired these items from the bakery.

ASSUMPTIONS AND METHODOLOGY: Baked goods are included within the definition of 'prepared food' set forth in the Streamlined Sales Tax Agreement. The taxation of baked goods depends upon whether they meet the definition of prepared food. Under current law, if a baked good is also a prepared food, then it is subject to the combined general rate of 6.75%. If it is not a prepared food, then it is exempt from State tax and subject only to the 2% local sales tax on food.

The Department of Revenue is aware of two retailers that would be affected by this change, although it is possible that there are other, smaller firms engaged in the same line of business. The Department does not believe the impact of this exemption would be significant. However, due to the small number of taxpayers involved, the Department cannot provide any information on the amounts of tax paid by these taxpayers without violating confidentiality. For this reason, an estimate of the cost of this exemption is not available.

SOURCES OF DATA: Department of Revenue

TECHNICAL CONSIDERATIONS: None

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